Remarks at a Virtual Town Hall and a Question-and-Answer Session on Health Care Reform in Annandale, Virginia

July 1, 2009

The President. Good to see you guys. Thank you, everybody. Thank you. Thank you, northern Virginia. Thank you very much. Everybody, please have a seat. Have a seat. What a wonderful welcome, and I'm so grateful to all of you for taking the time to be here.

A couple of quick acknowledgments: First of all, I want to thank President Templin and Chancellor DuBois for their wonderful hospitality. We are grateful to both of them.

We've got some extraordinary elected officials, a few that I want to mention. First of all, you've got one of the finest Governors in the country, who also is doing a great job as DNC chair. Please give Tim Kaine a big round of applause. Part of the reason Tim is such a good Governor is because he took notes while being Lieutenant Governor to the former Governor and now Senator for the State of Virginia, an outstanding public servant, Mark Warner. And three outstanding Members of Congress: Bobby Scott, Jim Moran, and Gerry Connolly—thank you so much, guys, for the great job you do every day.

And so I know there's all kinds of stuff Valerie was explaining. Don't worry, she's in charge, so she'll organize us. I just want to give a few remarks at the outset, and then we'll save most of the time for questions.

First of all, it's wonderful to be here in Annandale, and I'm looking forward to answering questions about what is, obviously, one of the most important issues facing American families, American businesses, and the American Government. But before I begin, I just want to say a few words about where we are as a Nation and where we need to go.

And we're living through extraordinary times, I don't need to tell you. This generation of Americans, our generation, has been called to confront challenges of a magnitude that we have not seen in decades, perhaps unlike anything we've seen in recent history, challenges that few generations of Americans are asked to face. In addition to the immediate threats that we face, we've got two wars going on and a very deep recession. Our economy has also been weakened by problems that have plagued us for decades: the crushing cost of health care, the state of our schools, our continuing dependence on foreign oil.

Now, I know there are some who say we can't tackle all of these problems; it's too much; Congress can't handle it; the President is juggling too many things; my administration is taking on too much too soon; we're moving too fast. What I say is that America has waited long enough for action on these issues. It's not too soon to fix our schools when we know that if our children are not prepared, they are not going to compete in the 21st century. It's not too soon to wean ourselves off of dirty sources of energy so that we can grab hold of a clean energy future. We've been talking about clean energy since Richard Nixon. And it's time for us to act. And I congratulate, by the way, the House of Representatives for beginning action this past week on a historic clean energy bill. It's also not too soon to reform our health care system, which we've been talking about since Teddy Roosevelt was President.

We are at a defining moment for this Nation. If we act now, then we can rebuild our economy in a way that makes it strong, competitive, sustainable, and prosperous once more. We can lead this century the same way that we led the last century. But if we don't act, if we let

this moment pass, we could see this economy just sputter along for decades—a slow, steady decline in which the chances for our children and our grandchildren are fewer than the opportunities that were given to us. And that's contrary to the history of America. One of our core ideas has always been that we leave the next generation better off than us. And that's why we have to act right now.

I know that people say the costs of fixing our problems are great, and in some cases they are. The costs of inaction, of not doing anything, are even greater; they're unacceptable. And that's why this town hall and this debate that we're having around health care is so important.

Let me just give you a few statistics. Many of you already know these. In the last 9 years, premiums have risen three times faster than wages for the average family. I don't need to tell you this because you've seen it in your own lives. If you've—even if you've got health insurance—and 46 million people don't—if you've got health insurance, you have seen your costs double. They've gone up three times faster than wages. If we do nothing, then those costs are just going to keep on going higher and higher.

In recent years, over one-third of small businesses have reduced benefits, and many have dropped coverage altogether since the early nineties, not because small-business owners don't want to provide benefits to their workers, but they just simply can't afford it; they don't have the money. If we don't act, that means that more people are going to lose coverage and more people are going to lose their jobs because those businesses are not going to be competitive.

Unless we act, within a decade, one out of every five dollars we earn will be spent on health care. And for those who rightly worry about deficits, the amount our Government spends on Medicare and Medicaid will eventually grow larger than what our Government spends today on everything else combined—everything else combined.

The Congressional Budget Office just did a study that showed that when you look at the rising costs of entitlement, 90 percent of it is Medicare and Medicaid—it's not Social Security—90 percent of it comes from the Federal share of health care costs. So if we want to control our deficits, the only way for us to do it is to control health care costs.

Now, those are all abstractions; those are numbers. But many of you know that this translates in the pain and heartache in a very personal way for families all across America. I know because during the 2 years that I campaigned for President, every town hall meeting I had, people would raise horrible stories about their experiences in the medical system. And now that I'm President, I'm hearing those same stories. I get 10 letters a day; out of the 40,000 or so that the White House receives, my staff selects 10 for me to read every single day. And at least half of them relate to a story about somebody who has been denied coverage because of a preexisting condition, or somebody who finds out that what they thought was going to be a $500 bill ends up being a $25,000 bill.

I was at a town hall meeting in Green Bay, Wisconsin, met a young woman, 36 years old, has breast cancer that's metastasized. She's got two small children. Her and her husband are both employed, both have health insurance, and yet she still has $50,000 worth of debt. And all she's thinking about right now is—instead of thinking about how to get well, she's thinking, if I don't survive this, my main legacy to my children may be another $50,000 worth of debt.

Everybody here knows stories like that. Some of you have experienced them personally. So this is a problem that we can't wait to fix. It's not something that we're going to keep on putting off indefinitely. This is about who we are as a country. And that's why we are going to

pass health care reform, not 10 years from now, not 5 years from now, we are going to pass it this year. That is my commitment. We're going to get it done.

Now, we've already started to see some progress in Washington. Those who said we couldn't do it, they're already being surprised, because as a consequence of us pushing, suddenly the drug companies and the insurance companies and the hospitals, all of them are starting to realize this train is leaving the station, we better get on board.

So just a few weeks ago, the pharmaceutical industry agreed to $80 billion in spending reductions that we can use to close the so-called "doughnut hole." Some of you know what the "doughnut hole" is, right, where senior citizens who are on the prescription drug plan under Medicaid, they get their drugs reimbursed up to a certain point, and then suddenly there's a gap until it reaches thousands of dollars in out-of-pocket costs.

And so we've struck a deal with the drug companies; they're willing to cut those costs for seniors in half. Already we're seeing that when we put pressure to reform the system, then these industries are going to have to respond. Last month, doctors and hospitals, labor and business, insurers and drug companies all came together and agreed to decrease the annual rate of health care growth by 1.5 percent. That would translate into $2 trillion or more of savings over the next decade, and that would mean lower costs for everybody, for ordinary families.

In the past 2 weeks, the committee in the Senate, led by Senator Kennedy and Senator Dodd, have made tremendous progress on a plan to hold down costs, improve patient care, and ensure that you won't lose your coverage even if you lose your job, or if you change your job, or if you've got a preexisting medical condition.

But now we need to finish the job. There's no doubt that we have to preserve what's best in the health care system, and that means allowing Americans who like their doctor and like their health care plan to keep their plan. And that's going to be a priority for us. But we also have to fix what's broken about the system, and that means permanently bringing down costs and giving more choice for everyone.

And to do this, we've got to do a couple of things. We have to build on the investments that we've made in electronic medical records. We already made those investments in the Recovery Act, because when everything is digitalized, all your records—your privacy is protected—put all your records on a digital form, that reduces medical errors. It means that nurses don't have to read the scrawl of doctors when they are trying to figure out what treatments to apply. That saves lives, that saves money, and it will still ensure privacy.

We need to invest in prevention and wellness that help Americans live longer, healthier lives. We know this saves money. If we can help somebody control obesity, they are less likely to get diabetes. And if they are less likely to get diabetes that means that we are going to be saving a whole lot of money in hospital costs.

The biggest thing we can do to hold down costs is to change the incentives of the health care system that automatically equates expensive care with good care. Now, this is an important concept, so I want everybody to really focus on this. We are—we've been under the illusion that the more health care we get, the healthier we become. And it turns out that every study shows that the question is, are you getting the right care, are you getting the best care, the high-quality care, rather than are you having a whole bunch of tests ordered that are unnecessary, getting a bunch of treatments that are unnecessary, staying in hospitals longer than may be necessary, all of which drives up your costs, but doesn't make you better.

Now, we have to ask ourselves why there are places like Geisinger Health Care Systems in rural Pennsylvania or Intermountain Health in Salt Lake City that offer high-quality health care at costs that are well below average, in some cases 30 percent lower than in other communities. If they can do it, there's no reason why all of America shouldn't do that. We've got to identify the best practices across the country, we've got to learn from those successes, and then we've got to replicate those successes elsewhere.

And we should change the warped incentives that reward doctors and hospitals based on how many tests or procedures they prescribe, even if those tests and procedures aren't shown to actually make people better, or if they result in medical mistakes. Doctors across this country did not get into the profession just to be bean-counters or paper-pushers, but more and more time that doctors should be spending with patients are spent on administration and worrying how do they deal with how they're reimbursed. We've got to create a simplified, more effective system where they are reimbursed for quality care, as opposed to having to distort their practices in ways that don't actually make their patients better.

It's also time to provide Americans who can't afford health insurance with more affordable options. I believe this is a moral imperative and it is an economic imperative. It's a moral imperative because in a country as wealthy as ours, if people are working and holding up their responsibilities, they shouldn't be bankrupted just because they get sick. On the other hand, it's an economic imperative because every single one of us who do have health insurance, our families, on average, are paying an extra $1,000 in premiums for uncompensated care.

Hospitals and doctors are adding those costs to your premiums, and insurance companies are adding those costs to your premiums, even if you don't know it. And if we can get a system in which people are getting regular checkups, mammograms, all the things that we know prevent disease from occurring over the long term, or at least allow us to catch those diseases early, that's going to allow us to drive down costs for everybody.

So what we have been working on is the creation of something called the health insurance exchange. And this is going to be a marketplace, which would allow you to one-stop shop for health care plans and compare benefits and prices in simple, easy-to-understand language, and then choose the best plan for you. None of these plans would be able to deny coverage on the basis of a preexisting condition. All of them would include an affordable, basic benefit package. If you couldn't afford these plans, then we could provide you a little bit of help so that you can afford these plans.

I also strongly believe that one of the options in the exchange should be a public option, in order for us to create some competition for the private insurers to keep them honest. If they are in fact giving good service and providing high-quality coverage, then that's where people will want to go. But there should be a benchmark there of a public plan, non-for-profit plan, that keeps administrative costs low and is focused on providing good service. And that way you can make the decision, which deal is going to be better for you and your family.

Now, I know one of the biggest questions on everybody's mind is, how do we pay for all this? How do we finance reform? And I have made a commitment, because our deficit is a genuine problem, that whatever we do we have to pay for. This can't add to our deficits. It's got to be deficit neutral over the next 10 years.

Here's the good news: About two-thirds of the costs of the reforms that we are proposing will come from reallocating money that is already being spent in the health care system but isn't being spent wisely. So it doesn't involve more spending; it just involves smarter spending.

A lot of the money that's being spent in the health care system right now adds nothing to the quality of patient care.

And I'll just give you one example. We spend right now about—over the next 10 years, we will spend $177 billion—$177 billion over the next decade in unwarranted subsidies to insurance companies under something called Medicaid Advantage—Medicare Advantage. Now, this does not make seniors healthier. People who are signed up for this private insurance subsidized program don't get any better care than those who aren't. The subsidies don't go to the patients; they go to the insurance companies. Now, think if we took that $177 billion and helped families so that they could have insurance, and that we could have preventive care. So about two-thirds of the costs of the reform we're proposing is just reallocating money that's already in the system, you, the taxpayers, are already paying for.

Now, one-third of it we're going to have to pay for by increased revenues. And what I've proposed is, is that if we capped the itemized deductions that very wealthy people do—the top 2 percent use on their income tax—so that they're getting the same tax breaks as everybody else, as opposed to getting higher tax breaks because they've got a bigger house, then we can pay for the rest of reform.

We've already identified $950 billion over 10 years—a little less than $100 billion a year—in order to pay for reform, two-thirds of it reallocating money, one-third of it with increased revenues. That's a sensible investment for us to make in solving an intractable problem that has been dragging down family finances, businesses, and the Federal Government for far too long.

Now, keep in mind, by the way, what we've identified as paying for the system, that doesn't even include the savings that we're going to get from prevention or the savings that we're going to get from health IT because—in using congressional jargon, which I'm never supposed to do because nobody understands it—it's not scorable. And what that means is, is that the Congressional Budget Office can't identify exactly how much you would save. Even though everybody believes that it will end up saving a lot of money, we can't put a hard number on it. So we will get additional savings that will drive down costs. In the meantime, the costs of reform will be paid for with hard dollars that we've identified.

So here's the bottom line: Now we're going to start—I'm almost done here, but this is a big, complicated topic, so I hope you forgive me—we're starting to make progress on Capitol Hill. We're identifying ways not only to reform the system, to make it smarter and more efficient, more user-friendly, better for American families, but also ways to pay for it in a way that doesn't bloat our deficit.

But the hardest part is yet to come, because everybody here knows that the easiest thing to do when you're looking at big policy questions like health care is just to be cynical: It can't be done. And the naysayers are already starting to line up and finding every excuse and scare tactic in the book for why reform is not going to happen. This is going on as we speak. And what I say to these critics is, well, what's your alternative? Is your alternative just to stand pat and keep on watching more and more families lose their health care, more and more families with higher out-of-pocket costs for less insurance, businesses who are not able to compete internationally, a Medicare and a Medicaid system that is run amok? Is that your alternative?

What do you say to all those families who can't pay their medical bills? What do we tell those businesses that are having to choose between closing their doors or eliminating benefits for their workers? What do you say to every taxpayer whose dollars are propping up a system that doesn't work and that's driving us into debt?

This isn't just about those Americans without health care; it's about every American. Because if we do not act to bring down costs, everybody's health care will be in jeopardy. If you lose your job, or if you've got a preexisting condition, you don't know that your family is going to be secure. All of us are in this together.

So when it comes to energy, when it comes to improving our schools, and when it comes to health care, I don't accept the status quo. And you shouldn't either. And I don't think that the American people want to just stand pat. They know that change isn't easy. They know there are going to be setbacks and false starts. But they also know this, that we're in one of those rare moments where everybody is ready to move into the future. We just can't be scared. We've got to stop clinging to a broken system that doesn't work, and we've got to have the courage to reach out for a future that's going to be better for our children and our grandchildren.

I believe we can accomplish it this year. But in order to make it happen, I'm going to need ordinary Americans to stand up and say, "Now is the time." You are what are going to drive this process forward, because if Congress thinks that the American people don't want to see change, frankly, the lobbyists and the special interests will end up winning the day. But when the American people decide that something needs to happen, nothing can stop us.

So I hope you'll join me. Thank you very much, everybody. Thank you.

Now, all right. Now, if I'm not mistaken, the way this is going to work—Valerie, you are going to be in charge of directing; you're traffic cop, in terms of——

White House Senior Adviser Valerie B. Jarrett. I'm going to be in charge. Thank you very much, Mr. President.

So in my opening remarks, Mr. President, I mentioned that when you released your YouTube video over the weekend, we received literally hundreds of video questions from all across the country. Your staff looked through all those questions and have selected a cross-section that represents a broad cross-section of the kinds of questions that came up.

I want to emphasize that the President has not seen the questions ahead of time. [*Laughter*] Absolutely not. And so we're going to begin with a video question, Mr. President, if you look at the screen.

The President. All right.

Health Care Reform/Private Medical Insurance

Q. Hi, my name is Steve White. I'm in Spring Valley, New York. And my question for the President is: Why are we considering a health care plan which maintains the private insurance companies with their high overhead costs, instead of a single-payer plan, which would eliminate the high overhead costs, saving the American taxpayer hundreds of billions of dollars, while covering everyone in our country? Thank you.

The President. Good. Well, it's a terrific question. I'm not sure if everybody could hear it, but the gist of the question is, why have we not been looking at a single-payer plan as the way to go?

As many of you know, in many countries, most industrialized advanced countries, they have some version of what's called a single-payer plan. And what that means is essentially that the government is the insurer. The government may not necessarily hire the doctors or the hospitals—a lot of those may still be privately operated—but the government is the insurer for

everybody. And Medicare is actually a single-payer plan that we have in place, but we only have it in place for our older Americans.

Now, in a lot of those countries, a single-payer plan works pretty well, and you eliminate, as Scott [Steve][*], I think it was, said, you eliminate private insurers; you don't have the administrative costs and the bureaucracy and so forth.

Here's the problem, is that the way our health care system evolved in the United States, it evolved based on employers providing health insurance to their employees through private insurers. And so that's still the way that the vast majority of you get your insurance. And for us to transition completely from an employer-based system of private insurance to a single-payer system could be hugely disruptive. And my attitude has been that we should be able to find a way to create a uniquely American solution to this problem that controls costs but preserves the innovation that is introduced in part with a free market system.

I think that we can regulate the insurance companies effectively, make sure that they're not playing games with people because of preexisting conditions, that they're not charging wildly different rates to people based on where they live or what their age is, that they're not dropping people for coverage unnecessarily, that we have a public option that's available to provide competition and choice to the American people and to keep the insurers honest, and that we can provide a system in which we are, over the long term, driving down administrative costs and making sure that people are getting the best possible care at a lower price.

But I recognize that there are lot of people who are passionate—they look at France or some of these other systems, and they say, "Well, why can't we just do that?" Well, the answer is, is that this is one-sixth of our economy, and we're not suddenly just going to completely upend the system. We want to build on what works about the system and fix what's broken about the system. And that's what I think Congress is committed to doing, and I'm committed to working with them to make it happen. Okay?

Ms. Jarrett. Now, how about a question from the audience.

The President. All right.

Ms. Jarrett. Please, a show of hands.

The President. What I always do here is I go girl, boy, girl, boy, so that I don't get into trouble here. [*Laughter*] All right, this young lady right here—since somebody was pointing at you, so I figured—do we have a microphone for folks in the audience, is that—so that everybody can hear the question? Okay. I think there's somebody coming from this direction. There you go. You can just hand her the mike.

Social Security Benefits/Health Care Reform

Q. Good afternoon, Mr. President. I'll try not to cry. I'm trying to figure out what I can do currently. My situation is I had renal cell carcinoma in '98 that was radiated, because my dad was dying of colon cancer at the time, and I was his health care server on his living will, so I could not be tied up having my kidney removed. So they did radiation procedures to kill the tumor then. And I had insurance, and everything was taken out.

But basically, because of the damage that the radiation did and things, I'm no longer able to work, and I have no health insurance. Now I have a new tumor. I have no way to pay for it.

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[*] White House correction.

The doctors will not see you without paying $100 or $150 to come to their office. I can get checked into a hospital, and under their indigent program, they will run tests and release me, but that costs a lot of money.

So currently, we—I basically—Social Security will not give me disability because renal failure is no longer a qualifying factor under Social Security currently. I cannot get Medicaid through the State of Virginia, because you have to be qualified—you have to be considered disabled through Social Security to qualify for Medicaid in the State of Virginia, because I have no dependent children at home, it's just me. I get food stamps, but that's it. And I'm just trying to figure out how I'm going to make it in 9 years until I'm qualified to get my regular Social Security, now that I have a new tumor and I have nowhere to turn.

The President. Well, here, come on over here. First of all, we're going to find out what—we'll get your information, and we'll see what we can do to help you. I don't want you to feel all—like you're alone on this.

You know, without knowing all the details, I'm not going to give you an answer right now about exactly how we can help. We're going to find out what we can do within existing law. But what was your name again?

Q. My name is Debbie.

The President. Debbie. Debbie is a perfect example of somebody who we should, in a country this wealthy, be able to provide coverage for her health care problems. And what we don't want is a situation where Debbie gets worse and worse because she's not getting treatment, and then ends up having to go to the emergency room. As I said before, all of you will pay for it anyway; it's just you'll pay for it in terms of a hidden subsidy. And she's not getting the best care, and we're actually paying more than we would have if Debbie, right now, was getting treated on a regular basis by a physician who knew her history.

So, Debbie, you are exhibit A. And we appreciate you serving—sharing your story. We are going to try to find ways to help you immediately. But the long-term problem here is going to be how do we create a system in which Debbie is getting the preventive care that she needs and is able to get regular checkups, is able to get treatment in a way that is much more cost efficient than the one that we've got right now. And I'm going to make a commitment that we're going to get that done this year.

All right?

Q. Sir, July 24th through the 26th, there's a thing in Wise County, Virginia, called RAM, the Remote Area Medical, and that is—the Remote America Medical is where anybody who needs medical treatment can get free treatment for those 3 days, the 24th, 25th, and 26th——

The President. The 24th, 25th, and 26th——

Q. ——of July.

The President. Well, we will help advertise that——

Q. If you would like to showcase why there's a need. I think they treated—Governor Warner and Kaine can say how long—but I think it's 7,000 people get treatment there every day of those days that it's free.

The President. Which is a wonderful program. But I think, as Senator Warner and Governor Kaine would agree, we can't have a system that's relying on 3 days of free care and 362 days in which people don't have health care. That doesn't make any sense.

Debbie, thank you for sharing your story. We appreciate you. Thank you.

All right.

Ms. Jarrett. Thank you, Debbie.

So many of the questions that are put to on the videos, Mr. President, are also very personal. So now we're going to take another from a video.

Health Care Coverage/Small-Business Owners

Q. My mommy and daddy have small businesses, and we need health care.

Q. I actually have to work for a company so that we can get coverage because my older daughter is an automatic decline, and we're just too small of a business to be able to absorb the cost. How can health care reform help us?

Q. We have a small, and I love mommy.

The President. The—as somebody with two daughters, I'm a sucker for anybody who uses their daughter in their video. [*Laughter*] So my staff probably knew that. They figured, well, he's going to be a soft touch after that one.

Small-business owners are those who are being, in some cases, hardest hit by the rising cost of health care. And in some cases, they just can't afford to provide health insurance to their employees, and that's frustrating, but they're operating on too small a margin, or they don't have enough employees so they've got no leverage to negotiate with the insurance companies. And so the offers that insurance companies give them for the cost of coverage per person end up being way higher than they would be for big companies that have more consumer power.

In some cases, though, it's gotten so bad that small businesses, they can't even afford to provide health insurance for themselves, small-business owners. And a lot of small businesses, a huge percentage of small businesses are sole proprietorships. Maybe it's a family business; they've got one or two people working for them. And so they're like consultants out there or self-employed individuals; they just can't get a good deal.

This is an example of where this health care exchange could be so helpful, because by creating a health care exchange, part of what we want to do is to allow small businesses, as well as people who are self-employed, individuals whose companies don't provide coverage, to come to this exchange, take a look at a menu of plans that are available, join one of these plans—you may qualify for a subsidy from the Federal Government—and you then become part of a big pool that gives you some leverage over the drug companies and the insurance companies to drive down costs. And that's part of the way that health care reform can provide direct savings to American families right now, by giving them more leverage.

Look, I am very pleased that the drug companies decided to cough up $80 billion to help close this "doughnut hole." I have to be honest with you, though, were it not for the prospect of serious health care reform, I don't think they would have given up that money. That's just my guess. That they—and so these same principles apply when it comes to setting up this health care exchange. If we do it effectively, then not only will families be able to make some very clear choices and small-business owners make some clear choices, about here's the best plan

available for us that fits our particular needs, but they're also going to be part of a broader group that can apply some leverage in the system.

And that's essentially what Federal health care employees do. Mark Warner has a plan that all Members of Congress and Federal employees have, and it's not Cadillac care, but it's good, solid, decent care with a range of options. Part of the reason that it is a good program is because there's so many Federal employees. Well, we should provide that same kind of leverage for the small-business owner who right now is too small on their own to be able to get the best possible deal on the insurance market, and that's what we want to provide in this health care reform package. All right? Good.

Ms. Jarrett. All right, I think we're ready to go back to the audience.

The President. All right, it's a guy's turn now, all right, so, ladies, you keep your hands down. [*Laughter*] All right, this young man right here. If we can get him a mike.

Health Care Reform/National Deficit/American Recovery and Reinvestment Act of 2009

Q. Thank you. I've been hearing a lot——

The President. What's your name?

Q. Jason Rosenbaum. Nice to meet you.

The President. Hey, Jason. What do you do, Jason?

Q. I work for a group called Health Care for America NOW.

The President. So I think the—he knows something about health care. This is like——

Q. I've been—obviously, I read the news a lot, and I've been hearing a lot about the price tag of health reform and how people are very concerned that it's going to cost a trillion dollars, and we're trying to keep it under a certain number. I'm most concerned about making it affordable, folks like me, the American people. So what do you—and like you said it's—you're committed to making this deficit neutral. So I hope you could talk a little bit about affordability and what your plans are for that.

The President. Good. Well, look, the first thing that I think is very important for people to do is to understand the costs of doing nothing, because sometimes opponents of health care reform pretend as if we've got this great thing going here and the Obama administration wants to completely upend it, just because I don't have enough to do. [*Laughter*] And I keep on trying to explain to people, look, I've got a war in Afghanistan; we haven't gotten the troops out of Iraq yet; I've got North Korea and Iran and H1N1 flu. So if the health care system was really working well, I would be happy to leave it alone.

So understand where we're at. If we don't do anything, the costs are going to keep on rising. I mean, some employers see their costs going up 8, 9, 10 percent a year. As I said, families have seen their health care costs double over the last 9 years. So you just project out 9 years from now, your wages or incomes aren't going up that fast, which means that a bigger, bigger bite is being taken out of your paycheck, even if you've got health insurance. More and more employers are saying in this very competitive atmosphere, we can't afford to do more.

So what's happened if you've got health insurance? Your employer has basically done what? They've increased deductibles; they've increased premiums. Your out-of-pocket costs have gone up by about 62 percent, and they're just going to keep on rising. And the cost of

Medicare and Medicaid, because they track all these other costs, they're going to keep on skyrocketing. So our deficit will be completely out of control.

Don't let people fool you with this notion that somehow the reason for our deficit has to do with, for example, the Recovery Act. The Recovery Act was designed to make sure that local school districts didn't lay off teachers and firefighters and police officers, and it's done its job, and it's building the kind of infrastructure that we need to be competitive in the future. But it is a tiny fraction of our long-term deficit projections. Almost all of the long-term deficit projections come from increases in Medicare and Medicaid.

So the reason I say all this is because the costs are going to be there if we don't do anything. The deficit will grow if we don't do anything. Our debt will grow if we don't do anything. What I'm trying to do is figure out how do we bend the curve of costs so that we're getting more and more efficient care, higher quality care, at less cost per person. How do we eliminate the $1,000 per family that's coming out of your pocket in subsidized care, uncompensated care at hospitals that's going on right now?

And if we can do that, then, A, we can cover more people with the savings, and, B, we have more leverage over the insurance companies and the drug companies so that they give a better deal. That's what we're trying to do.

Now, I do think that we can't add to the deficit. We should find ways to honestly pay for whatever reforms we're proposing. And I already gave you an indication of how we would do it. About two-thirds of it would come from reallocating money that's currently in the system. Taxpayers, you're already paying for it, so this isn't new money coming out of your pocket. This is money that's right now being spent by the Federal Government but not spent wisely in a way that makes you healthier—that's two-thirds of it.

One-third of it, because we've got to make some initial investments up front and a lot of the savings—remember what I told you—aren't scorable, we're going to have to raise some additional revenue to make sure that people are adequately covered and we're providing some help to families who may have health insurance but are really starting to struggle right now.

And I think the best way for us to pay for it is, as I said, capping the itemized deductions that people making over $250,000 a year, people like myself—used to be Valerie was making that, but now she's working for the Federal Government, so—[*laughter*]—she wouldn't be affected by this, capping those itemized deductions. Then we can raise enough money to pay for a good, high-quality health care reform proposal that will provide health care security for everybody.

And as I said before, many of you may be satisfied with your health care now. What you've got to do is project, if current trends continue, are you still going to be happy with your health care 5 years from now? Will you have health care 5 years from now?

A lot of people here, if you change jobs right now but you've got a preexisting condition—and just about anything these days can be called a preexisting condition—you may have trouble signing up for health care the next time around, just because you changed a job, set aside the situation where you lose a job.

One of the things that we did in the Recovery Act was to help people with COBRA. Everybody knows what COBRA is? That's the program that allows you to get health insurance—to continue your health insurance even when you lose your job. The problem is premiums are so high that most people, when you lose your job, you can't afford it. The last

thing you can do is afford suddenly a $1,000 or $1,500 in premiums. So what we did was we subsidized people being able to keep their health insurance longer, cutting those COBRA costs.

I think that was a pretty smart thing to do. That was the right thing to do. But we can't just do that indefinitely. We can't do patchwork, piecemeal fixes through a Recovery Act. What we need is a permanent solution that ensures that when you lose your job or change jobs, you can still have health care; if you're self-employed, you've still got health care.

Every nation on Earth that is as wealthy as ours is able to do that. And they don't do it perfectly. That's why I say we've got to find a uniquely American solution—but don't tell me that we can't get this done. And for those who say, "Well, you know what? This is something that is very complicated, so we shouldn't rush into it," that's what happens in Congress all the time. They have hearings, they write white papers, and then suddenly the lobbyists and the special interests start going at it, and next thing you know, another 10 years has gone by and we still haven't done anything.

That's not what's going to happen this time. I am going to keep on pressing until we get it done this year. All right.

Taxes/Health Care Reform

Ms. Jarrett. All right, Mr. President. So Macon just slipped me a note, and he said, right now on Facebook and on Twitter, a lot of people are talking about the proposal to tax health care benefits. So for example, Rob on Twitter said, "Does it really make sense, Mr. President, to tax me on my health care coverage?"

The President. Well, here's—let me describe for you how this argument has evolved and where I've stood on it in the past and what's being debated in Congress.

Part of the reason that employers provide health care to most American is because they get a big tax exclusion. They don't pay taxes on—and you don't pay taxes on—the health care benefits that you receive. So it's a huge subsidy that's provided through the Tax Code for employers to provide you coverage.

Now, up until, let's say, a generation ago, this worked reasonably well. It's starting to break down because even with the tax exclusion, the cost for employers, just out of pocket, paying the insurers, is getting more and more expensive.

Some people have said that what we should do is just eliminate this tax exclusion so that the Federal Government isn't indirectly subsidizing employers providing care, and that we could take that money and then just give everybody a tax break individually and then they could go out and shop for their own health care. This was essentially John McCain's proposal during the campaign. I mean, I want to be fair to it. The idea was, you eliminate the exclusion; the billions of dollars that come back into the Treasury are then given out to each person in the form of a $5,000 or a $7,000 tax credit, and then you go out and you buy your own insurance.

And the thinking is that if you do it that way, then each of you are going to be more discriminating consumers, and you are going to go out and get the best possible deal, and you won't be overusing the health care system. You won't be going to the doctor unnecessarily or taking drugs that you don't really need. And you will be the—you will essentially engage in self-rationing. That's really the concept behind this idea.

Now, in fairness, the other notion is, is that if you don't have your health care tied to employers, then you're not going to be as worried about losing your health insurance if you change your job because the money follows you as opposed to being with the employer. So that's the concept.

Now, I opposed this during the campaign, and I opposed it for a couple of reasons. Number one, if you completely eliminated the exclusion, there is no doubt that what would happen is, is that a lot of employers would stop providing health care. And so a lot of people who currently get health care through their employers wouldn't be able to get it. The second thing—remember what I told you earlier about how if you are on your own shopping for health care, you've got no leverage with the insurance company. Well, the problem is, is that if suddenly now you get a tax credit for $5,000 or $7,000, you try to go buy some health insurance for your family and it costs $14,000, you're a lot worse off than you would have been. You're out of luck. And you've got no leverage; they've got no incentive to give you a lower price because you're on your own.

The other thing—the other problem is that when you're not part of a pool, the insurance companies have every incentive to make sure that if you are older or you are sicker, that they do not cover you. They want to cover the young, healthy folks like Mark Warner. That's who they want. But if you're older or sicker, you are more likely to be excluded from coverage, or they really jack up the rates. When you're part of a pool, then the insurers say, "Well, I guess we'll take the older, sicker folks because we're also getting the younger, healthier folks at the same time."

So for all those reasons, I opposed the proposal that was put forward, because essentially it would be, for the first time, taxing the health care benefits that are provided by employers.

Now, nobody at this point is—or not many folks are talking about taxing benefits or completely eliminating the exclusion. What they are calling for now in Congress is to cap the exclusion so that people who have very high-priced health care, at a certain point, they can only get a deduction up to a certain point, right? So let's say that the average health care cost for families—a good health care plan costs $13,000. What they would say is, the employer and the employee get an exclusion up to $13,000, but if you get some Cadillac plan that costs $17,000, then what we're going to do is you're going to have to pay taxes on that last $4,000. And the idea that is being debated in Congress right now is, is that a good way to ensure that people don't have these big Cadillac plans, but instead have more sensible plans. Now, I don't think—and by the way, that also raises some money. So this has been offered as an alternative way to pay for that extra one-third of health care that we're not able to pay for through simply reallocating money.

I think the better way to do it remains the proposal I have to cap itemized deductions. I think that is a way that we can ensure that people who currently have health care aren't suddenly seeing the costs go up to pay for other people's costs going down, but instead everybody's costs can go down effectively.

But this is something that's going to be debated in the House and the Senate. Mark Warner is going to have to weigh in on it. We're all going to have to weigh in on it. My bottom line, though, is that if you've got health insurance right now, you shouldn't suddenly see your costs go up as part of health care reform.

Okay? Good.

Ms. Jarrett. All right, Mr. President, I think we're teed up for another video question.

The President. All right.

Medical Malpractice Insurance

Q. Mr. President, as a physician, I know the cost of defensive medicine drives medical costs upward. Now, at your health care forum, you said that you wanted to find out what works. In my home State of Texas, we know what works, and our Medical Justice Act has done just that.

Now, unfortunately, when you recently told the AMA you were opposed to capping noneconomic damages, even though a State like mine has proven that it does work. Now, will you reaffirm your commitment to find out what works and then ask Congress for its implementation?

The President. Okay. I want to make sure everybody understands the question here. A lot of doctors have argued, and in some cases they're justified, that their costs for medical malpractice insurance, the threat of a lawsuit if something goes wrong with a patient, even if it's not their fault, is so high that not only is it increasing their out-of-pocket cost, but they're also engaging in what's called defensive medicine; that they've got to order five tests, when one's enough, just to make sure that they're covered so that if something goes wrong that's not their fault later, they can say, "Look, I did everything possible, even if a lot of that isn't required." And so the argument is, if you cap the pain and suffering or the liability that is awarded as a consequence of you being hurt in the hospital or by a doctor, that that would drive down everybody's costs.

Now, what I've said is that I don't like the idea of an artificial cap on somebody if the doctor or the hospital really was negligent. And in some cases, I've got to tell you, they are. I mean, there are cases where folks leave a sponge in your gut and sew you back up, and after a while you're feeling worse than when you went in. And in some cases, obviously, that can cause very severe damage, and I want to make sure that people's pain, suffering, out-of-pocket expenses, that those are covered.

So I don't like the idea of just an artificial cap. I do want to work with doctors to find ways that we can reduce their liabilities where they haven't done anything wrong, where they've performed effectively. I want to see, are there ways that we can reduce the constant threat of lawsuits that doctors and hospitals experience, because I do think that that causes defensive medicine. And so I've committed to working with the AMA to see ways that we can reduce some of these litigation costs and malpractice rates.

One point that I've got to dispute, though, with the gentleman who asked me the question—he says he's from Texas, and that "We've got caps in Texas, and so we've seen what works." Well, the fact is, is that there was just recently an article about a town called McAllen, Texas, where they have the highest health care costs in the country. It's down by the border. And even though they have caps there, in McAllen, Texas, they spend about three times as much per person as—or not—they spend about 30 percent more per person than they do in El Paso, Texas, which also is operating under caps. So what that tells me is the problem of rising costs doesn't simply have to do with whether or not liability is capped. What it really has to do with is the incentives that are operating in various communities.

There are some places, like the Mayo Clinic, many of you have heard of, provides outstanding care, some of the best in the world. People fly in from everywhere to go to Mayo Clinic to get treated. Turns out Mayo provides care much more cheaply than a lot of other

health systems, even though it's better care. And part of the reason is they do some things that are commonsensical, but unfortunately we don't do in the health care system.

For example, instead of you going to one—your primary care physician, who has you do a bunch of tests, then refers you to a specialist who has you do a bunch of tests, then maybe you go to a third specialist, another bunch of tests; go to the hospital, they retest you. What they do is, at Mayo Clinic, when you meet with the—your primary physician, he calls in all the specialists all at the same time, and as a team, they evaluate you, do all the tests right there, so you're not duplicating a whole bunch of stuff. And that coordinated care drives down costs tremendously.

That's the kind of commonsense approach that we're going to have to take. And one of the things that we're going to need to do in the health reform that we're proposing is to incentivize those kinds of smart practices coordinating care, as opposed to what we do right now, which is we just pay you—the more services you provide, the more we pay you, which gives doctors and hospitals a pretty strong incentive to test you five times instead of one time. I'm not saying they do it consciously, but right now we're preventing them from coordinating in a smart fashion because of the ways that we reimburse. That has to be part of the reform that we initiate.

All right.

Ms. Jarrett. All right, Mr. President, I'm getting the high sign, so how about one more question from our wonderful audience?

The President. One more question from the audience. Let's see. It's a girl's turn, isn't it? I think so. This young lady right here.

Health Care Reform

Q. Hi, Mr. President. I'm a member of SEIU, and I'm down here in Fairfax County working on Change That Works. What can I do, as a member of the union, to help you with your reform bill?

The President. Well, I appreciate the question. The most important thing I think the American people can do right now is to just be informed. Tell your friends, tell your neighbors to get informed about what's happening in the health care system right now. It's very complicated, and I don't expect everybody to be an expert, but I want everybody to be well enough informed that the scare tactics of those who would oppose reform don't work.

So for—when you hear somebody say this is—"Obama's proposing a Government takeover of health care," that's an old argument that's been used for years. I just want to be clear: If you've got a health care plan that you get through your employer or some other private plan, I want you to keep it. I actually think reforming the system is the most likely way for you to keep the health care that you've got. I don't want to take it over. I think it's great that you can keep the care that you've got.

All I've said is, I want to make sure that those things that taxpayers are paying for, that we're getting our money's worth. I don't want to provide $177 billion in subsidies to insurance companies. I don't want to reimburse for five tests when the evidence shows that you just getting one test is going to be better for you, because that means that the taxpayers are saving money and I can use that to lower your costs, or to help somebody who doesn't have health care at all.

I do think we should have a public plan to compete with the private plans. But these private insurance companies, they're always telling me what a great deal that they give to the American consumer. If it's such a great deal, why are they worried about competing against the public plan, especially when they say government can't do anything?

So they'll tell you that we're trying to take over health care. I don't want to take over health care. They'll tell you that we're going to try to ration the system. We don't want to get between you and your doctor. What we do believe is that if there's good evidence out there that shows that the best way to treat your illness is to give you the blue pill, and instead right now you're getting prescribed the red pill that costs twice as much, I think that you and your doctor, having that information, are probably going to decide to go with the cheaper pill that does just as good of a job and that will save you money. That's not rationing; that's being sensible.

So whenever you start hearing these arguments about socialized medicine, government takeover, rationing, Canada-style health care, what I need you to do—and I need everybody here to do and everybody who's watching to do—is to actually pay attention to the argument, and don't let people scare you out of reforming a system that we know is not working.

America—one of the great things about this country is we've got a system that's sometimes kind of hard to change. Congress gets kind of bogged down, and part of that is because of the way the Constitution is designed. It's served us well because it keeps us very stable. We don't have coups and all kinds of governments collapsing all the time. But the disadvantage sometimes is, is that it's hard for us to make big, bold steps. But the great thing about the system is that, every once in a while, when we finally hit a point where things just aren't working at all, we are able to generate the political will to finally get things done.

That's how we got Social Security. After the Great Depression, nobody had any pensions or protection, and people started realizing, we can't have a country where suddenly older Americans are just on the streets, after working hard all their lives. And finally we got Social Security. And then people said, "Well, we can't have older Americans who don't have any health care," and we got Medicare. At every juncture, when we finally need to make a change, we make a change. This is one of those times.

So don't be scared about the future; let's embrace the future; let's go after the future. If we do, then I'm confident that we can create a health care system that gives you choice, allows you to keep your doctor, drives down costs, makes sure that every American doesn't have to worry if they lose or change their jobs. That's our aim; that's our goal. We're going to make it happen this year.

Thank you, everybody. I appreciate you. Thank you.

NOTE: The President spoke at 1:28 p.m. at Northern Virginia Community College. In his remarks, he referred to Robert G. Templin, president, Northern Virginia Community College; Glenn DuBois, chancellor, Virginia Community College System; cancer patient Laura Klitzka, her husband Pete, and their children Taylor and Logan; and Sen, John McCain of Arizona, 2008 Republican Presidential candidate.

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Locations: Annandale, VA.

Names: Burgess, Michael C.; Collier, Sheila; Connolly, Gerald E.; Dodd, Christopher J.; DuBois, Glenn; Jarrett, Valerie B.; Kaine, Timothy M.; Kennedy, Edward M.; Klitzka, Laura;

Klitzka, Logan; Klitzka, Pete; Klitzka, Taylor; McCain, John; Moran, James P.; Obama, Malia; Obama, Natasha "Sasha"; Rosenbaum, Jason S.; Scott, Robert C.; Smith, Debbie; Templin, Robert G.; Warner, Mark; White, Steven.

Subjects: Afghanistan : U.S. military forces :: Deployment; Budget, Federal : Deficit; Budget, Federal : Government programs, spending reductions; Budget, Federal : National debt; Business and industry : Global competitiveness; Business and industry : Small and minority businesses; Democratic Party : Democratic National Committee; Diseases : Global influenza outbreak; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Economic concerns; Economy, national : Recession, effects; Economy, national : Strengthening efforts; Education : Global competitiveness; Education : Standards and school accountability; Energy : Alternative and renewable sources and technologies; Energy : Foreign sources; Government organization and employees : Federal programs, improvement efforts; Government organization and employees : Federal programs, performance of, improvement efforts; Health and medical care : Cost control reforms; Health and medical care : Employer-based health insurance coverage; Health and medical care : Health Insurance Exchange, proposed; Health and medical care : Health insurance protection of coverage; Health and medical care : Health insurance, protection of coverage; Health and medical care : Information technology; Health and medical care : Insurance coverage and access to providers; Health and medical care : Medicare Advantage Plans, elimination of overpayments ; Health and medical care : Medicare and Medicaid; Health and medical care : Physicians :: Malpractice insurance; Health and medical care : Prescription drugs, purchasing efficiency; Health and medical care : Preventive care and public health programs; Iran : Nuclear weapons development; Iraq : U.S. military forces :: Deployment; Legislation, proposed : "American Clean Energy and Security Act of 2009"; Medical Association, American; North Korea : Nuclear weapons development; Taxation : Itemized deductions, proposed limits; Taxation : Itemized deductions, proposed reform; Taxation : Tax Code :: Reform; Virginia : Former Governor; Virginia : Governor; Virginia : President's visits; White House Office : Assistants to the President :: Intergovernmental Affairs and Public Liaison.

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